DEFERRED COMPENSATION COMMITTEE

MEETING AGENDA

Committee Members
Lori Walsh, HR Director, **Chair**
Andrew Sisk, Auditor Controller, **Vice Chair**
Jenine Windeshausen, Treasurer/Tax Collector
David Boesch, County Executive Officer
Paul Jacobson, Retiree
Matt Bartholomew, PPEO Representative
Noah Frederito, DSA Representative

April 12, 2017

Placer County is committed to ensuring that persons with disabilities are provided the resources to participate fully in its public meetings. If you are hearing impaired, we have listening devices available. If you require additional disability-related modifications or accommodations, including auxiliary aids or services, please contact the HR Department at 889-4060. If requested, the agenda shall be provided in appropriate alternative formats to persons with disabilities. All requests must be in writing and must be received by the Executive Secretary five business days prior to the scheduled meeting for which you are requesting accommodation. Requests received after such time will be accommodated only if time permits.

MEETING LOCATION:

Placer County Administrative Office – Domes
175 Fulweiler Avenue
Conference Room A
Auburn, CA 95603
530.889.4060

1:30 PM **ROLL CALL**

I. **MINUTES OF PREVIOUS MEETING – March 8, 2017**

II. **PUBLIC COMMENT:** Persons may address the Commission on items not on this agenda. Please limit comments to 3 minutes per person since the time allocated for Public Comment is 15 minutes. If all comments cannot be heard within the 15-minute time limit, the Public Comment period will be taken up at the end of the regular session. The Commission is not permitted to take any action on items addressed under Public Comment.

III. **OLD BUSINESS**

A. **Investment Policy Statement**
B. **Request for Proposal for Plan Provider Services**

IV. **HR ADMINISTRATIVE REPORT**

V. **NEW BUSINESS**

A. **VOYA presentation – Follow up to February presentation**

VI. **ADJOURNMENT**

NEXT SCHEDULED MEETING:
May 10, 2017

PLACER COUNTY DEFERRED COMPENSATION
COMMITTEE MEETING MINUTES
Wednesday, March 8, 2017
1:30 pm - 3:00 pm
Human Resources Large Conference Room
175 Fulweiler Avenue, Suite 100
Auburn, CA 95603

Present: Andy Sisk, Auditor-Controller; Lori Walsh, Human Resources Director; David Boesch, County Executive Officer; Matt Bartholomew, PPEO Representative; Noah Frederito, DSA Representative; Paul Jacobson, Retiree Representative.

Absent: Jenine Windeshausen, Treasurer Tax Collector;

Other Attendees: Jerry Carden, County Counsel; Ann McNellis, Human Resources; Kimberly Hawley, Treasurer Tax Collector; Jason Hughes, Mass Mutual representative; Robert Gleason, Mass Mutual representative. Jeff Blanchard, Mass Mutual representative, attended by conference call.

Call to Order

Meeting called to order at 1:36 pm by Lori Walsh, Chair.

Public Comment

None.

Approval of Draft Deferred Compensation Committee Minutes for the February 8, 2017 meeting

Motion by: Andy Sisk; Second: Noah Frederito. Approved 5-0-1 (David Boesch abstained from the vote given his absence from the previous meeting).

HR Administrative Report

Chair Walsh distributed a document entitled the HR Administrative Report which provides information relative to the status of loans, RMD's, hits on the Deferred Comp website, Education and Training opportunities, Hardships processed, updates from providers on the number of contacts made with employees, and miscellaneous information such as new materials uploaded to the Committee's portal on the website. The Administrative report will be provided to the Committee on a monthly basis.

Mass Mutual Semi-Annual Review and Presentation on the Year 2016

Jeff Blanchard, Mass Mutual Investment Consultant based in Connecticut, made a presentation via conference call based on a document distributed to the Committee members entitled Investment Performance Review prepared for County of Placer as of December 31, 2016. His review included an analysis of the quarterly market recap noting that the fourth quarter was an eventful one given the impact of the Presidential election and the volatility of the market. He further reviewed U.S. Economic Data including the unemployment rate, gross domestic product index, consumer price index and U.S. Consumer Finances including housing starts, light vehicle sales, household net worth and debt service ratio.

In reviewing the U.S. Equity Size and Style returns, Blanchard referred to the Morningstar style box display and noted the variation in the performance of stocks between the large, mid and small sectors. The S&P 500 index and sector returns identified the best returns in the 4th quarter in the banks and financial groups as compared to the high tech stocks. Blanchard also reviewed the U.S. interest rates and treasury yields as of December 30, 2016.

In discussing the Investment Return and Risk Report for the line-up of funds for Placer County, Blanchard identified concerns with the Goldman Sachs mid-cap growth fund and offered to develop 2-3 potential options for another mid-growth fund for the Committee's consideration. Robert Gleason offered to forward Blanchard's recommended options to Chair Walsh for distribution to the Committee and future consideration.

Andy Sisk noted that Blanchard had offered comments regarding the proposed Investment Policy Statement being developed by the Committee and asked whether anyone on the Committee had comments or questions for Blanchard in response to his comments. No further comments or questions were posed and the conference call with Blanchard was ended with thanks from the Committee for his participation.

Robert Gleason next presented a review of the 401k plan making reference to materials he had distributed to the Committee entitled Strategic Plan Review and Action Plan. He reviewed data contained in the report including:

- Assets increased by 7% during calendar year 2016;
- The General Account has grown from 33% of the plans assets to 35%;
- Contributions outpaced withdrawals by 3%;
- Participant count decreased by 2%;
- New enrollments were down overall;
- Average annual employee contribution was $5,185;
- 60% of the participants in the plan have the General Fund as a sole investment;
- The average loan balance is in line with industry averages;
- Overall, the number of participants with loans decreased by 3%

In reviewing the asset allocation, Gleason provided an overview of asset categories utilized by participants noting that, overall, the assets in cash equivalent investments increased by 15% during the 12 month period. As depicted by investment category and age, Gleason commented that the utilization is appropriate for each age group.

Gleason referred to the document's fee schedule and explained that the General Account is interest bearing and therefore does not have a fee deduction.

Committee member Bartholomew asked whether Gleason would comment on whether the General Account is sustainable, to which Gleason replied that the financial stability of Mass Mutual is intact and noted that the General Account is a bond portfolio being used for investment purposes.

Gleason went on to say that it is unknown whether the fund is sustainable from a continuation standpoint. He confirmed that Mass Mutual was honoring the commitment made years ago under the Hartford contract but an RFP process and/or a re-negotiation of the agreement with Mass Mutual could result in ending the contract with Hartford and moving into general account options offered through Mass Mutual.

Bartholomew also asked about the timing for mapping over the Hartford Capital Appreciation account into the current SSgQ S&P 500 fund and posed the option of mapping to the General Account fund instead to offset any market volatility. Following a discussion by Committee members, it was confirmed that the action taken by the Committee at the February meeting is still the consensus of the group.

Next Gleason reviewed the 457 Deferred Compensation Plan making reference to materials he had distributed to the Committee entitled Strategic Plan Review and Action Plan. He reviewed data contained in the report including:

- Assets increased by 7% during calendar year 2016;
- The General Account has grown from 33% of the plans assets to 35%;
- Contributions lagged behind withdrawals by 5%;
- Participant count decreased by 1%;
- New enrollments were down overall;
- Retiree average account balance increased by 3%;

Jason Hughes distributed a document entitled County of Placer 2017 Participant Education Plan and reviewed the content including:

- 23 group meetings held
- 99 individual meetings with employees were held
- 35 phone interactions with participants

To increase participant education and awareness as well as to improve enrollment and participation in the deferred comp program, Jason suggested:

- ✓ Provide quarterly seminars
- ✓ Promote National Retirement Security Week in October
- ✓ Send out information via the County's intranet

Hughes also offered a list of classes that could be provided to employees and reviewed the Gap Analysis Report which was distributed to the Committee depicting a personalized plan for identifying the gap in pension income as compared to financial goals.

Investment Policy Statement Approval

Committee member Andy Sisk noted that he was still incorporating comments from the vendors and will present the revised version of the Investment Policy Statement at the April meeting.

RFP for Plan Provider Services Approval

Kimberly Hawley reported that additional feedback and review by outside Counsel is underway. She is hopeful to return with a revised RFP at the April meeting.

Adjourn

Meeting adjourned at 3:15 PM.

Next Scheduled Meeting

Wednesday, April 12, 2017 at 1:30 PM in the Human Resources Conference Room.

Investment Policy Statement

Comment [A1]: In addition to our review of this investment policy, we recommend having your investment advisors also review the policy, or at minimum the description of allowable investments, before finalizing the policy.

Placer County Deferred Compensation Program

March 15, 2017~~January 12, 2017July 11, 2016~~

DRAFT

3129548.1

Contents

3129548.1

~~Plan~~ Program Information~~,~~ and Purpose ~~and Objectives~~

Placer County (County) sponsors a Placer County Deferred Compensation Program (Program) to provide employees with a vehicle for saving for their retirement. The Program includes both section 401(k) and 457 plans as described by the Internal Revenue Code. The Program is intended to comply with all federal laws and ~~state~~ regulations.

The Program was established to provide eligible employees with a means to save monies on a tax-advantaged basis, to assist employees in reaching their financial goals, and to provide additional financial security to Program participants upon retirement. Program participants allocate and direct their individual account balances among the investment options offered by the plan investment provider. The Program provides participants with the opportunity to make their own investment choices and permits them to make changes to their allocation instructions. The plan fiduciary strives to provide a range of investment options that will enable all participants to invest in the way that they feel best suits their long-term investment objectives.

The County currently offers four defined contribution plans and is the Plan Administrator for the Program. The four defined contributions plans are as follows:

- The Retirement Accumulation Plan for the Employees of the County of Placer
- The Placer County 401(k) Plan
- The Placer County Deferred Compensation Plan
- The CalPERS 457 Deferred Compensation Plan

However, the Board of Administration of CalPERS is fiduciary for the CalPERS 457 Deferred Compensation Plan and retains exclusive control over administration and investments offered for this plan. As a result, this Investment Policy Statement (Policy) only covers the remaining three plans within the Program.

Policy Purpose

This Policy establishes investment principles and a framework for selecting, monitoring and evaluating investment options under the Program. The Policy defines the Program's investment objective as well as the roles of those responsible for the Program's investments. It also establishes investment procedures, measurement standards and monitoring procedures. If this Policy conflicts with the Plan Document, the provisions of the Plan Document will prevail.

The Deferred Compensation Committee will review this Investment Policy Statement annually;~~,~~ and, if appropriate, amend the Policy to reflect changes in the market, Program objectives, or other factors relevant to the Program.

Administration of Plan

The County is the Plan Sponsor and Administrator. The Board of Supervisors has delegated the day to day non-discretionary responsibilities of the *Plan Administrator* to the Human Resources Department, including serving as staff to assist the Deferred Compensation Committee's in meeting its fiduciary obligations with respect to the Program.

Comment [A2]: The Deferred Compensation Committee Bylaws indicate that the Board of Supervisors appointed the Committee to be the fiduciary for Program investments (and not the HR Department). The Bylaws indicate that the HR Department will only be responsible for nonfiduciary and nondiscretionary Program tasks and does not give the Committee the ability to delegate its fiduciary responsibilities. This section of the Investment Policy appears to contradict the Committee's Bylaws by stating the Board of Supervisors has delegated fiduciary tasks to the HR Department. As a result, the duties delegated to the HR Department should only be ministerial in nature but the listed tasks are discretionary in nature. We recommend reviewing this portion of the Investment Policy for consistency with the Committee's Bylaws and the Board of Supervisors' actions delegating authority for deferred investments and other fiduciary duties related to the deferred compensation program. If upon further review, the HR Department does not have investment related functions, consider removing the HR Department portion and moving these tasks to the Section outlining the Committee's duties.

To carry out the fiduciary responsibilities involved in the administration of the Program Board of Supervisors established a Deferred Compensation Committee (Committee). responsibilities of the -*Committee* include:

- Oversight of the selection and satisfactory performance of the Program's trustee other third parties retained to help in administration of the Plans, inclu accountants, record-keepers, purchasing agents, investment managers, invest consultants and legal counsel;
- Oversight of the selection and satisfactory performance of other third parties reta to provide services to the Plans' participants, including advisory services educational programs for Program participants;
- Evaluation of periodic reports provided by investment managers, invest consultants, legal counsel, auditors, administrative consultants or internal Co departments with respect to matters affecting Plan investments, accour administrative or compliance matters;
- Periodically report investment and other information to the Board of Supervisors as requested;
- In accordance with the Committee's Bylaws, selecting and monitoring the Program's investment options in a manner consistent with the prudent person standard;
- Retain professional advisors as needed to assist the Committee in the performance of its responsibilities;
- Developing a sound and consistent investment policy;
- Selecting a suitable investment provider;
- Providing a range of diversified investment options with varying objectives and risk/return characteristics;
- Monitoring and evaluating investment performance and implementing investment option changes as necessary;
- Investigate, negotiate, and monitor investment-related expenses;
- Assuring that employees are provided investment education opportunities to a them in making their investment decisions;
- Determining the frequency with which participants may exercise control ove assets in their account; and

Comment [A3]: These responsibilities should more closely mirror the requirements in ERISA 404(c) related to participant directed investments. First, Government entities can only rely on the fiduciary exemption in Gov't Code section 53213.5 when it implements safeguards similar to those in ERISA 404(c). Second, while ERISA does not directly apply to governmental plans, the state fiduciary rules are very similar and courts use parallel cases to decide controversies where a government entity is involved. The edits we made for your consideration are intended to reflect this.

The responsibilities of the *Investment Provider* include:

- Providing sufficient information to the Committee and other Program fiduciaries to perform their fiduciary duties;
- Providing Program participants with sufficient information;, including, but not limited to, information about fees associated with investments, to make informed investment decisions;
- Recommending investment options that are in line with this Policy and in the best interest of the Program participants, and provide a broad and diverse range of investment within and among investment classes;
- Managing the investment of Program assets in accordance with this Policy, the applicable plan documents, investment prospectuses and in the best interest of the Program participants; and
- Providing investment education to Program participants. ~~consistent with fiduciary investment standards, the retirement objectives of Program participants and principles similar to those described in Section 1104 (c) of Title 29 of the United States Code for private sector employers.~~

The responsibilities of the *Record-keeper* include:

- Providing the Plan Sponsor with sufficient information to administer the Program in accordance with the applicable tax rules, including but not limited to the information needed to timely make required minimum distributions and timely pursue remediation of defaulted loans and reporting them as deemed distributions when remediation is not successful;
- Maintaining and updating individual account balances in an accurate and confidential manner; and
- Providing participants with electronic access to account information and transactions, and updating plan contributions as well as withdrawals and distributions; and
- Preparation of quarterly and annual participant statements and provision of various communication materials as described in the service agreement or requested by Plan Administrator.
-

Comment [A4]: The County should confirm whether these designated responsibilities are consistent with its record-keeping service agreement.

Investment Objectives

Thise Policy provides a framework for the types of investment options to be offered, and the procedures for the ongoing review and evaluation of the Program's investment options.

The County and the Committee recognize that there is risk inherent in all investments. Furthermore, individual participants each have their own level of tolerance as to the assumption of risk in anticipation of achieving potentially higher returns. The Committee recommends that participants seek out appropriate investment advice, as they deem necessary. The dissemination of information and the provision ofn investment options do not constitute investment advice by the County or the Committee. Pursuant to Government Code

Section 53213.5, the County or Committee are~~shall be~~ relieved of liability for any losses resulting from investment decisions ~~instructions~~ given by a participant.

The number of investment options shall be considered from the participants' perspective as to the total number of investment options offered by the Program. The number of investment options offered shall be adequately diverse and of sufficient number to facilitate diversification and the opportunity to materially affect potential risk/return. The number of investment options offered shall be limited to avoid unnecessary redundancy and confusion.

All investments must have a liquid market. This means that assets will have a ready market for which the asset is transacted on a day-to-day basis through commonly recognized financial markets without regard to fluctuation in principal value. Liquidations from mutual fund investments shall be accessible within a reasonable period of time. However, since plan assets are self-directed by the participants, there is no minimum requirement for a specific level of asset liquidity (such as a minimum percentage of assets in cash equivalents), nor shall there be any guarantee against market losses due to liquidations.

To the extent possible, transfers among funds within the Plans shall be facilitated daily allowing participants the opportunity to manage risk and return. However, the Securities and Exchange Commission has instituted rules regarding the "trading" of fund shares. Plan funds are not designed to serve as a vehicle for frequent trading in response to short-term fluctuations in the securities markets. Each Investment Provider shall develop and communicate to all plan participants their respective policies regarding the purchase and exchange of fund shares.

Selecting ~~the~~ Investment Options

The Program intends to provide an appropriate range of investment options that will span risk:~~/~~return spectrum and allow Program participants to construct portfolios consistent v their unique individual circumstances, goals, time horizons and tolerance for risk. Program also intends to provide sufficient information about the investment options enable participants to make informed investment decisions and exercise control over assets in their account. There shall be a diverse selection of funds to provide a suffic level of diversification without having a selection so large as to duplicate and dilute v would otherwise be an advantageous number of funds available.

Comment [A5]: To make the investment policy more user friendly and to better highlight the selection criteria, consider moving the discussion about the Program's current investment options to a separate section. It can be labeled "Current Asset Classes and Investment Options". Further, there is no discussion of how the default investment options are selected for the Plans. We recommend adding such a discussion in the "Selecting the Investment Options" section of the investment policy or in a separate subsection. We can provide such language or review language you prepare. In addition, you should clearly identify each plan's default investment option.

The primary goal for each investment fund is to produce reasonably competitive results relative to its benchmark, risk characteristics and investment type. In situations where a participant has not provided investment direction with respect to some or all of the assets allocated to the participant's account, the default investment options for such assets is the target date fund. The most appropriate fund, given the participant's age is the current default investment option;; however, from time to time, the Committee may change the default investment option at its sole discretion.

Major asset classes to be offered may include:

- Money Market
- Stable Value
- Bonds
- Equity Index Fund
- Large Cap Equity
- Mid Cap Equity
- -Small Cap Equity
- International Equity

Additionally, a spectrum of target date funds and a Self-Directed Brokerage Account will~~may~~ be offered.

Participants who wish to follow a disciplined asset allocation strategy require options that stay consistent to their stated investment style. Several style-focused core options, representing the primary asset classes (e.g., stocks, bonds and cash) allow participants to implement and maintain the integrity of their own customized investment strategy. The Plans will also offer target date funds. These options offer a simple means to implement an asset allocation policy by having investment professionals implement and monitor the asset mix. A participant only chooses one target date fund option to implement a chosen investment strategy.

The Committee, after determining the asset classes to be used, evaluates investment providers and chooses a provider to manage the investment options. Each investment provider should ~~must~~ meet certain minimum criteria as follows:

1. Be an insurance company, bank, investment management company or an investment adviser under the Registered Investment Advisers Act of 1940.

2. Be able to ~~Should~~ provide detailed information on its history, investment philosophy and approach, and its principals, clients, locations, fee schedules and other relevant information.

Investments options will be evaluated based on the following standards:

1. Performance equal to or greater than the median return for an appropriate, style-specific benchmark and peer group over a specified time period. The Committee will use multiple time periods and methods to measure each investment option's performance.

2. Specific risk and risk-adjusted return measures established by the Committee and within a reasonable range relative to an appropriate, style-specific benchmark and peer group.

3. Demonstrated adherence to the stated investment objective.

4. Competitive fees compared to similar investments.

5. An investment manager that provides all performance, holdings, and other relevant information in a timely fashion, with specified frequency.

6. Quality and consistency of the investment option's investment team and other appropriate qualitative characteristics of the investment option.

In an effort to align the investment options for the two plan types as much as possible, the Investment Provider shall offer the same funds in each asset classification for both the 457 and 401(k), whenever possible.

Asset Classes and Investment Options

Comment [A6]: To make the investment policy more user friendly and to better highlight the selection criteria, consider moving the discussion about the Program's current investment options to a separate section. It can be labeled "Current Asset Classes and Investment Options". Further, there is no discussion of how the default investment options are selected for the Plans. We recommend adding such a discussion in the "Selecting the Investment Options" section of the investment policy or in a separate subsection. We can provide such language or review language you prepare. In addition, you should clearly identify each plan's default investment option.

Target Date Funds

Each Investment Provider shall offer a spectrum of target date fund investment option each of the two plan types 401(k) and 457, and shall limit the number of options specified. Target date funds are comprised of a mix of stocks, bonds and cash or c equivalents based on risk/return profiles for phases of an individual's life cycle.

Target date funds, which are also called life cycle funds, are designed to offer a convenient way to invest for a person expecting to retire around a particular date. A target date fund pursues a long-term investment strategy, using a mix of asset classes (or asset allocation) that the fund provider adjusts to become more conservative over time. This adjustment is referred to as the "glide path" moving from a higher concentration in stocks and a lower concentration of bonds, and cash or cash equivalents to the converse as the participant nears retirement.

Comment [A7]: There are some differences between life cycle funds and target date funds. Any description the County inserts into its Investment Policy related to target date funds should be reviewed by its investment advisors for accuracy.

Mutual Funds and Commingled Institutional Funds

Whenever possible the fund choices in each asset allocation classes should be the same for both plans. The Investment Provider may offer funds in the following eight asset allocation classes in each plan. **At least** one investment option may ~~should~~ be actively available in each asset class. If a fund is frozen/closed a new fund should ~~may~~ be identified to replac[e] frozen/closed fund and~~. The frozen/closed fund may be closed for new contribut[ions]~~ balances may be mapped over to a newly active fund in the same asset class.

Comment [A8]: Consider softening this absolute language. It may not be possible to meet this requirement or it may limit future activity. There may be times when allowing more than one option in an asset class is desirable.

- Money market funds, which invests in cash equivalents securities with maturities of less than one year. The average quality of the portfolio must be A1, P1, or AAA. The objective of the fund is to protect underlying principal value and produce a reasonable level of current income. This option should provide the lowest volatility with the least potential for increase in earnings and growth. This type of fund is considered to be in the lowest risk:~~/~~return category.

- Stable value fixed income funds, which invests primarily in annuities, investment contracts, money market and fixed income investments. The objective of the fund is to provide higher income than a money market fund with no fluctuation in principal value. This type of fund is considered to be in the low risk:~~/~~return category.

- Bond investment funds, which invests in cash equivalents and fixed income securities. The fund should consist of high quality corporate and government bonds. The objective of the fund is to provide longer-term preservation of capital while earning a higher level of current income. This type of fund is considered to be in the low risk:~~/~~return category. However, principal values are subject to fluctuation over time due to corresponding fluctuations in interest rates.

- Equity index funds, which identically reflects the broad domestic equities market, such as the S & P 500 or the Russell 2000 Equity Index Fund, and ~~which~~ seeks to duplicate the returns of the index. The management of this fund is considered passive as it does not evaluate stocks based on perceived value or earnings potential, but merely seeks to mirror the holdings of the relative broad market index identified. The objective of the fund is to capture returns that reflect that of the broad market as represented by the index. This type of fund is considered to be in the moderate risk:~~/~~return category.

- US large-cap equity funds, which invest in companies that are generally valued at $1 billion or more (share price X number of shares outstanding). These companies are known to be the largest corporations on a financial basis, and are considered to more stable and well established. Thus, having less growth potential, but more price stability. This asset class may include investments in both value and growth as deemed by the fund manager. Investment returns may be based both on increased value and on investment increases from reinvestment of earnings. The type of fund is considered to be in the moderate risk:/return category.

- US mid-cap equity funds, which invests in companies that are generally valued between $500 million to $1 billion (share price X number of shares outstanding). These companies are known to be less stable than large cap stocks, but more stable than small stocks (see below). Accordingly they have more growth potential than large cap, but less than small cap with corresponding risk profiles. The fund manager may select stocks as they deem appropriate to invest in companies where they identify value or earnings potential. Investment returns may be based both on increased value and on investment increases from reinvestment of earnings. This type of fund is considered to be in moderate- to high--risk:/return category.

- US small cap equity funds, which invests in companies that are generally, valued less than $500 million (share price X number of shares outstanding). These companies are typically newer companies that are known to be less well-established and more susceptible to adverse financial or economic circumstances. Small cap funds have the most potential for increased value and earnings. The fund manager may select stocks as they deem appropriate to invest in companies were they identify value or earnings potential. Investment returns may be based both on increased value and on investment increases from reinvestment of earnings. This type of fund would be considered to be in the high risk:/return category.

- International equity funds, of which the international fund invests primarily in common stock of established non-US companies. This type of fund is considered to be in the high risk:/return category.

Exclusive of the target date funds, the Investment Provider shall ~~not~~ offer at least ~~more than~~ one fund for each asset classification for a minimum ~~maximum~~ of eight different investment options for each plan. ~~The Investment Provider will offer the same investment funds in each plan for a total of 8 offerings by the Investment Provider making a total of eight fund offerings for participants.~~

Investment options should not be limited to a single mutual fund family. A mutual fund or commingled fund shall not typically be suitable as an option if either a front-end or back-end sales load is charged, or if a fund charges a mortality and expense fee, or if it charges a 12.b1 fee. The expense ratios of the investment options must be competitive with other mutual funds or commingled funds with~~of~~ similar objectives.

Should current Program offerings differ from those specified herein, the Plan Administrator, the Record Keeper, the Committee and the Investment Providers shall work to make an orderly transition from the current investment offerings to those that comply with this policy. In the interim, the current options are not considered to be in violation of the Policy.

Comment [A9]: It is our understanding that there is some concern that participants who use self-directed brokerage accounts often see larger losses than those who invest in the investment options pre-selected for their retirement plan. Not all retirement plans provide this Self-Managed Accounts (i.e., Self-Directed Brokerage Accounts). Consider whether you want to allow self-directed brokerage accounts in County plans that do not already provide for them.

Self-Directed Brokerage Accounts

Additionally, Investment Providers may also offer "self-directed brokerage accounts". C established, self-managed accounts allow the participant to invest in almost any mutual offered in the market.

Comment [A10]: At least one of the County's plans currently has an investment option with 12.b.1 fees. Making this an absolute statement and adopting this policy will mean the Committee is violating its investment policy. Consider reinstating the sentence that says such investments typically will not be appropriate.

Formatted: No underline

~~The Investment Providers shall be required to provide account information for both inquiry and transactions over the phone both through voice activated response systems and by live account representatives, over the internet (by both computer and mobile device) and through, at least, quarterly account statements which are normally associated with the review and fees charged by mutual fund companies.~~

~~Should current Program offerings differ from those specified herein, the Plan Administr the Record Keeper, the Committee and the Investment Providers shall work to mak orderly transition from the current investment offerings to those that comply with this p In the interim, the current options areshould not be considered to be in violation o Policy.~~

Comment [A11]: It is our understanding that there is some concern that participants who use self-directed brokerage accounts often see larger losses than those who invest in the investment options pre-selected for their retirement plan. Not all retirement plans provide this Self-Managed Accounts (i.e., Self-Directed Brokerage Accounts). Consider whether you want to allow self-directed brokerage accounts in County plans that do not already provide for them.

Investment Monitoring and Reporting

Comment [A12]: This portion of the investment policy does not adequately outline the Committee's role in monitoring investments. So I divided this section into Committee responsibilities and Investment Provider responsibilities.

Investment Providers

Formatted: No underline

The Program's Investment Providers shall provide ongoing monitoring of fund performance and ~~shall provide~~ quarterly reports, as described below, to the Committee Chair, who shall forward such reports to the Committee members as soon as possible.

- The reporting shall be fair, objective and based primarily upon statistical analysis.

- The investment options should be rated on a net return basis, after expenses. Full and itemized disclosure of all expenses, costs and fees shall be noted.

- Credit or regulatory issues, deviation from fund descriptions or other material implications that affect the funds, the Program or the Investment Providers ~~s~~ shall~~ould~~ be disclosed timely and without regard to periodic reporting requirements.

- A benchmark for each fund should be established based on a comparative index for its fund category. A benchmark may take any of the following forms:

  1. A well-recognized published index of ~~un~~managed assets
  2. A tailored composite of assets (or indexes)
  3. A peer group (or "universe") of similar funds or portfolios as determined by Morningstar and FinancialWeb.
  ~~3.~~

Formatted: Indent: Left: 1", No bullets or numbering

The report shall include a discussion of the fund in relation to its benchmark.

The Investment Provider shall provide to the Committee a copy of its policy for fund monitoring ~~and action having to do with their recommendations~~ for maintaining, placing on watch status, freezing or closing a fund and justification for replacing or adding a fund. A quarterly report shall include comments ~~on the action recommended~~ for each fund, such as maintaining, placing on watch status, freezing or closing a fund, replacing or adding a fund.

The quarterly report shall be provided electronically along with ~~nd~~ 10 hard copies. The quarterly report shall be provided within 60 days of the close of the reporting period.

- Performance measurements should cover at least five-year periods and should reflect both a net return and risk-adjusted basis.

- The report should contain information on the funds manager's experience and tenure with the funds that they manage.

- The reports and fund evaluations should be concise and relatively easy to understand by the members of the Committee and ~~to explain to~~ the participants. Voluminous or highly technical reports are discouraged unless specifically warranted and fully explained.

- The reports should contain any other pertinent information that assists ~~results~~ in a participant's decision to hold, buy or sell a fund.

The Committee

Formatted: No underline

The policies and actions associated with maintaining, watch list status, freezing, closing or adding funds should strive to maintain a stable list of investment options. Policies and actions that cause frequent changes in the investment options available will be considered in evaluating the performance of the Investment Providers. Frequent changes in investment options may be considered in the context of inappropriate marketing or unstable account management practices.

The ongoing monitoring of each investment option must be a regular and disciplined process. Monitoring will occur on a regular basis and utilize the same criteria that were the basis of the investment selection. All chosen investment options will be reviewed at least annually for acceptability~~,~~ under the guidelines outlined in this Policy.

The Committee, assisted by its Investment Providers, will examine periodic statements, proxies and reports distributed by its Investment Providers and other investment consultants~~,~~ as applicable, and / or obtain from such other publically available sources as the Committee determines advisable, to evaluate each investment option's performance. This evaluation will consider factors including, but not limited to:

- Current trends and developments in the capital markets and investment management community;

- Current level of diversification provided by the investment classes and funds within each class;
- The degree to which each investment option has satisfied the performance standards, benchmarks and other criteria adopted by the Committee for the class in which it is included;
- Consistency of investment management style within each investment option;
- Changes, if any, in the asset management staff for the investment option; and
- Changes in fees, expenses, and any revenue sharing arrangements charged to, directly or indirectly, or payable on account of assets of the plans invested in the investment option.

Investment Option Termination

With the assistance of its Investment Providers and/ or investment consultants, during its periodic reviews, the Committee will note any deviations from the prescribed criteria by any of the investment options. Once identified, the Committee will closely monitor each deviation and place the investment option on a "watch list." Investment options placed on the "watch list" shall be monitored and assessed for removal and replacement.

The Committee may terminate an investment option upon losing confidence in the invest option's potential to:

Formatted: Highlight

- Achieve performance and risk objectives as measured against its benchmark.
- Maintain a consistent investment style, as measured against its benchmark.

There are no hard and fast rules for investment option termination. However, if the investment consistently fails to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. Failure to remedy the circumstances of unsatisfactory performance, within a reasonable time, shall be grounds for termination.

Any recommendation to terminate an investment option will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include investment option manager turnover, or material change to investment processes. Considerable judgment will be exercised in the termination decision process.

If the Committee decides to terminate an investment option from the Plans' investment li the Committee will remove and replace (map assets) to an alternative investment option.

Formatted: Indent: Left: 0"

Replacement of a terminated option would follow the criteria outlined in the Selecting the Investment Options section of this Policy.

Administrative Review Procedures

The Committee shall develop criteria that it will use to evaluate the performance of the Investment Provider(s), Record-keeper(s) and other Program vendors and consultants on at least an annual basis. The Committee shall then take appropriate action if necessary to ensure participants are receiving satisfactory levels of performance from Investment Providers.

Proxy Voting

The Committee authorizes the [Plans' Trustees/ Investment Providers] to vote on behalf o respective Plan for all proxies that are returned. Proxies not voted upon by the Tru Investment Provider will be forwarded to the Committee.

Investment Communications to Participants

At enrollment and on an ongoing basis the Investment Provider/ Record Keeper pro participant communication materials similar in detail to the annual and quarterly disclo requirements for participant directed defined contribution plans under ERISA Section 40 and its accompanying regulations so that participants have sufficient information to m informed investment decisions. Information about each investment option will be provid ~~given or~~ made available to Participants.~~ to help them to make informed investment ch~~ The Program shall provide quarterly and annual statements of fund performance to Participant.~~The Program shall provide quarterly and annual statements of fund performan each Participant.~~

The Investment Providers shall be required to provide account information for both in and transactions over the phone both through voice activated response systems and by account representatives, over the internet (by both computer and mobile device) and thro at least, quarterly account statements which are normally associated with the review and fees charged by mutual fund companies.

The account statements shall include all investment activity including amounts and dates of such activity and beginning and ending balances for the period.

Comment [A13]: The investment policy does not address how proxies are to be handled/ voted on. Therefore, I added a placeholder so that the County can address how to handle proxies. Generally, the trustee has the exclusive right to vote proxies unless the trustee is under the direction of a named fiduciary or delegates that authority to someone else. Right now the Committee is the named fiduciary and has responsibility for voting proxies. The Committee can delegate voting to Reliance Trust Company once that relationship is established, however, RTC will only vote proxies as they are directed to do so by the Committee, plan participant or other delegated person. We recommend delegating this responsibility to the Program's Investment Provider if they are willing to take on the responsibility. That way the Investment Provider will have responsibility to vote the proxies directly or direct RTC regarding how to vote the proxies.

Formatted: Highlight

Formatted: Highlight

Comment [A14]: Consider adding a statement that the participant statements and other communications will be made in a fashion similar to what is required by ERISA section 404(c). That will ensure participants receive a good deal of detail related to investment performance and their account balances.

Comment [A15]: ERISA 404(c) requires both quarterly and annual statements to be provided to participants. Consider requiring your record-keeper and investment advisors provide disclosure on the same timeframes.

The Investment Provider will make copies of investment fund prospectuses or similar equivalent information, list of underlying investments for a given fund, and fees available to the Human Resources Department who will make the information electronically available to participants.

Comment [A16]: If the website participants use to manage their plan accounts can support it, consider requiring access to this information on that website. This will create direct access rather than creating an additional step for the HR Dept.

~~Investment Education~~

~~It is the Committee's objective to have participants provided with ongoing investment education. The purpose of the investment education program is to provide information and tools to assist in the development of a personal investment strategy for employees and facilitate the achievement of savings and retirement goals.~~

~~The County shall at least annually provide an educational program to Plan Participants regarding the assessment and determination of individual risk/return profiles and the appropriate selection of investment options based upon those risk/return profiles. Such program shall address the provisions prescribed by subdivision (c) of Section 1104 of Title 29 of the United States Code.~~

Comment [A17]: Consider restoring this sentence. Gov't Code section 53213.5 requires adherence to rules similar to those in 1104(c) of title 29 of the USC for the County and the individual Committee members to have protection from liability for participant investment losses. Those rules include specific investment education and disclosure rules.

Amendments

The Committee may amend this Policy at any time. Changes will reflect long-term considerations, rather than short-term changes in the financial markets.